

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 165596 OF JULY 14, 1975

B. ROME 7417 OF MAY 21, 1975

C. ROME A-43 OF JANUARY 23, 1975

D. ROME 11245 OF AUGUST 16, 1974

E. ROME A-213 OF APRIL 11, 1974

1. AS REQUESTED IN REF A PARAS 3-8 BELOW CONTAIN:

(1) STATEMENT ON INVESTMENT CLIMATE IN ITALY, AND (2) TABLE
SHOWING DIRECT INVESTMENT IN ITALY BY ALL COUNTRIES AT END 1974.
NOTE THAT DIRECT INVESTMENT DATA FOR END YEAR 1974 IS NEW GLOBAL
FIGURE PROVIDED BY THE BANK OF ITALY AND IS /NOT/ COMPARABLE
TO SIMILAR YEAR-END DATA SUPPLIED IN EARLIER FOREIGN INVESTMENT
CLIMATE AND STATISTICS REPORTS. EARLIER DATA WAS PARTIAL AND
BASED ON /ONLY/ THAT INVESTMENT AUTHORIZED UNDER ARTICLE 1 OF
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THE FOREIGN INVESTMENT LAW OF 1956. END-1974 DATA IS ALSO NOT

COMPARABLE WITH PREVIOUS REPORTS OF FOREIGN INVESTMENT IN ITALY (E.G. REF C) WHICH WERE BASED ON CUMULATION OF ANNUAL FLOW FIGURES (NOT BOOK VALUE AT END YEAR).

2. STATISTICS REQUESTED IN REF A PARA 7 (A) AND 7 (C) ARE PUBLISHED IN COMMERCE DEPARTMENT'S /SURVEY OF CURRENT BUSINESS./ REF E TRANSMITTED LAST EMBASSY REPORT ON FOREIGN INVESTMENT CLIMATE AND STATISTICS. REFS B, C, AND D CONTAIN INFORMATION ON SELECTED ASPECTS OF FOREIGN INVESTMENT IN ITALY, INCLUDING REGULATION OF FOREIGN INVESTMENT, FIVE-YEAR STATISTICS ON FOREIGN DIRECT INVESTMENT, AND TREATMENT IN ITALY OF DIRECT INVESTMENT BY OIL PRODUCERS.

3. /INVESTMENT CLIMATE/: ITALY WELCOMES PRIVATE FOREIGN INVESTMENT. A TREATY OF FRIENDSHIP, COMMERCE, AND NAVIGATION WAS SIGNED BY THE US AND ITALY IN 1948. THERE ARE US-ITALY DOUBLE TAXATION TREATIES ON INCOME AND ON GIFTS AND INHERITANCES DATING FROM 1955. THE FORMER WAS RECENTLY MADE APPLICABLE TO NEW ITALIAN INCOME TAXES INTRODUCED IN 1974. ASSURANCE OF TRANSFER OF PROFITS AND REPATRIATION OF CAPITAL UNDER CERTAIN CIRCUMSTANCES IS AVAILABLE THROUGH THE FOREIGN INVESTMENT LAW 43 OF FEBRUARY 7, 1956. IN SPECIFIC AREAS SUCH AS SHIPPING, AIR TRANSPORT, BANKING, INSURANCE, AND BROADCASTING, SPECIAL AUTHORIZATION IS REQUIRED FOR INVESTMENT. PRIMARY INVESTORS IN ITALY HAVE BEEN SWITZERLAND (AND OTHER COUNTRIES THROUGH SWITZERLAND), EC COUNTRIES AND THE US. AT END-1974 FOREIGN INVESTMENT IN ITALY TOTALLED APPROXIMATELY DLR 7.8 BILLION. REAL ESTATE AND THE CHEMICAL AND METALMECHANICAL INDUSTRIES ACCOUNTED FOR MOST, 78 PERCENT, OF THIS INVESTMENT.

4. EMPLOYMENT REGULATIONS SEVERELY CIRCUMSCRIBE MANAGEMENT'S INITIATIVE IN FIRING EMPLOYEES. THE LABOR RELATIONS CLIMATE CONTINUES TO BE MARKED BY STRIKE ACTIONS, RISING LABOR COSTS, AND ABSENTEEISM. THE POLITICAL SITUATION IN ITALY IS CURRENTLY UNCERTAIN.

5. TO ENCOURAGE INDUSTRIAL DEVELOPMENT IN CERTAIN REGIONS, THE GOVERNMENT PROVIDES TAX, CREDIT AND OTHER INVESTMENT UNCLASSIFIED

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INCENTIVES TO FOREIGN AS WELL AS ITALIAN FIRMS. JOB CREATION AND OVERALL ECONOMIC DEVELOPMENT, RATHER THAN THE EXPORT ORIENTATION OF INVESTMENTS, ARE THE RATIONALE BEHIND THESE BENEFITS. TO AVOID OVER-CONCENTRATION IN NORTHERN AND CENTRAL ITALY, THE MINISTERIAL COMMITTEE FOR ECONOMIC PLANNING (CIPE) MUST APPROVE INVESTMENTS PLANNED BY COMPANIES WITH CAPITALIZATION OF MORE THAN 5 BILLION LIRE (DLR 7.9 MILLION) AND ANY INVESTMENT

PROJECT IN EXCESS OF 7 BILLION LIRE (DLR 11.1 MILLION).

6. TAX CONCESSIONS AVAILABLE TO DOMESTIC BUSINESSES INCLUDE REFUND OF THE VALUE ADDED TAX ON EXPORTS, REBATE OF CUSTOMS DUTIES AND OF CERTAIN INDIRECT TAXES ON IRON AND STEEL PRODUCTS FOR EXPORT, AND DUTY-FREE TREATMENT FOR RE-EXPORTS UNDER BOND. EXPORT SALES BY ITALIAN INDUSTRIES ARE ENCOURAGED THROUGH GOVERNMENT-SUPPORTED EXPORT CREDIT FINANCING AND INSURANCE PROGRAMS. THE ITALIAN GOVERNMENT DOES NOT DIFFERENTIATE BETWEEN FOREIGN AND LOCALLY-OWNED DOMESTIC FIRMS IN PROCUREMENT PRACTICES BUT FAVORS DOMESTIC OVER FOREIGN SUPPLIERS.

7. IN ORDER TO CONTROL INFLATION, ITALY EMPLOYS ADMINISTERED PRICES FOR A LIMITED NUMBER OF MAINLY FOOD ITEMS. IT HAS ALSO EXPERIMENTED WITH MORE COMPREHENSIVE PRICE CONTROLS IN THE RECENT PAST. ITALY DEPENDS HEAVILY ON MONETARY POLICY IN MANAGING THE ECONOMY.

8. /INVESTMENT STATISTICS:

DIRECT INVESTMENT BY ALL COUNTRIES
(IN MILLIONS OF DOLLARS)

	1974 VALUE AT YEAR-END

TOTAL INCLUDING US	7,767.7

SWITZERLAND, LUXEMBOURG AND LIECHTENSTEIN	4,343.1
EEC	1,570.8
US	1,395.4
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NOTE: ORIGINAL LIRA FIGURES CONVERTED INTO DOLLARS AT
\$1.00 EQUALS 650 LIRE.

SOURCE: BANK OF ITALY ANNUAL REPORT.VOLPE

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